

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 SS-15 EB-08 OPIC-03 XMB-02
COME-00 CIAE-00 TRSE-00 AID-05 FRB-03 INR-10
NSAE-00 SP-02 LAB-04 SIL-01 OMB-01 STR-07 CEA-01
L-03 H-01 SSO-00 INRE-00 NSCE-00 ICAE-00 /089 W
-----014280 091603Z /47

O R 091500Z AUG 78
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 9958
INFO AMEMBASSY LONDON

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E.O. 11652: N/A
TAGS: EINV, NI
SUBJECT: INDIGENIZATION DECREE: FOREMOST INTERNATIONAL

REF: (A) LAGOS 9829, (B) STATE 189530

1. THIS IS CONCLUDING PORTION OF MESSAGE TRANSMITTED
REFTEL. REFTEL SUMMARY APPLIES ALSO TO THIS TELEGRAM.

2. EMBASSY HAS HAD SEVERAL DISCUSSIONS WITH LOCAL MOBIL
REP, RICHARD HEBBERD. MOBIL IS VERY UNHAPPY ABOUT THE
PRICE PLACED ON ITS SHARES (80 KOBO PER), BUT IS RE-
SIGNED ON THAT ISSUE. IT HAS FARED BETTER THAN ITS
COMPETITORS, E.G, AGIP RECEIVED 54 KOBO PER SHARE,
TEXACO 70 KOBO AND TOTAL REPS WERE QUOTE
LIVID UNQUOTE AT DECISION HANDED THEM (PRICE NOT YET
AVAILABLE). BP'S CASE COMES UP SOON (SEE PARA 3).
MOBIL WILL BE DIVESTING, NOT EXTENDING CAPITAL BASE
AS WILL FOREMOST. IT IS, THEREFORE, CONCERNED PRIN-
CIPALLY ABOUT THE REPATRIATION OF THE PROCEEDS OF THE
PROCEEDS OF THE SALE OF ITS SHARES. HEBBERD IS CON-
CERNED THAT FMG MAY APPLY THE SAME RESTRICTIVE FORMULA
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TO PROCEEDS REPATRIATION THAT IT HAS TO PROFITS RE-
PATRIATION, I.E., PERCENTAGE OF AUTHORIZED CAPITAL.
HE IS EVEN MORE CONCERNED ABOUT THE POSSIBILITY THAT
FMG MAY DEVALUE THE NAIRA BEFORE MOBIL IS ABLE TO TRANSFER
THE PROCEEDS. IN HIS OPINION, WHEN THE FULL IMPLICA-
TIONS OF INDIGENIZATION BECOME KNOWN INTERNATIONALLY,
FEW FOREIGN COMPANIES WILL BE PREPARED TO INVEST IN

NIGERIA.

3. UK HICOM HAS NOT BEEN TOO CONCERNED ABOUT THE INDIGENIZATION ISSUE, ACCORDING TO COMMERCIAL COUNSELOR FRANK KENNEDY. MOST BRITISH COMPANIES HAVE ACCEPTED THEIR SHARE VALUATIONS. IN ONE CASE, A LONDON BOARD CHAIRMAN ASKED UK HICOM TO INTERVENE WITH FMG (REQUEST WAS DIRECT, NOT THROUGH FCO. UK HICOM DECIDED THAT AN APPROACH TO FMG ON BEHALF OF ONE COMPANY WOULD BE INEFFECTIVE. MOREOVER, UK HICOM IS RELUCTANT TO QUOTE POLITICIZE UNQUOTE THE ISSUE BY RAISING IT TO A GOVERNMENT-TO-GOVERNMENT LEVEL. MEANWHILE, IT IS PURSUING THE SAME STRATEGY AS WE THROUGH THE NIGERIAN-BRITISH CHAMBER OF COMMERCE, WHICH KENNEDY DESCRIBES AS PRACTICALLY MORIBUND. EXCEPT IN THE LATEST CASE, ALL BRITISH FIRMS WHICH HAVE DIVESTED HAVE RECEIVED THEIR PROCEEDS AND HAVE REMITTED SAME. IN THE MOST RECENT CASE, HOWEVER, A BRITISH FIRM RECEIVED ITS PROCEEDS BUT WAS TOLD BY THE CENTRAL BANK THAT IT COULD REMIT HALF NOW AND REMAINDER QUOTE SOMETIME UNQUOTE AFTER SIX MONTHS. UK HICOM IS SLIGHTLY NERVOUS ABOUT INCREASED RESTRICTIONS ON REMITTANCES. IF FMG TIGHTENS REMITTANCE RULES, UK HICOM WILL PROTEST. ONLY APPROACH UK HICOM HAS MADE TO FMG ON THIS ISSUE WAS BY KENNEDY TO MUSA, MINFIN, RECENTLY. IN DISCUSSION WITH MUSA, PRINCIPALLY ON OTHER MATTERS, KENNEDY ASKED LIMITED OFFICIAL USE

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WHERE FMG WOULD FIND THE FUNDS TO PAY OFF INDIGENIZED FOREIGN FIRMS BY DECEMBER 31, 1978 (FINAL IMPLEMENTATION DATE OF DECREE). HE RECEIVED NO REPLY.
COMMENT

4. THE FOREMOST AFFAIR IS CURIOUS. PACE HAS HEADED THE SPECIAL NACC COMMITTEE SINCE ITS INCEPTION AND, PRESUMABLY, HAS CONCURRED FULLY IN THE FABIAN STRATEGY WE HAVE BEEN PURSUING. IT APPEARS THAT HIS HEAD-QUARTERS OVERRULED HIM. NOR DO WE BELIEVE THAT THE VISIT OF MR. KLACZYNSKI WAS COINCIDENTAL (PACE PUT OFF MEETING WITH US UNTIL AFTER HIS ARRIVAL). WE ARE INCLINED TO BELIEVE THAT, AFTER THE MAILING OF THE DENAUT LETTER TO THE UNDERSECRETARY, FOREMOST INTERNATIONAL HAD SERIOUS SECOND THOUGHTS ABOUT THE ADVISABILITY OF HAVING THE EMBASSY PRESS ITS CASE WITH THE FMG.
WYMAN

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